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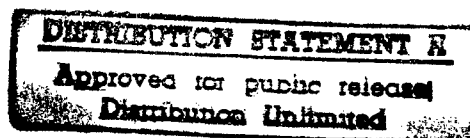
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East Europe

Recent Legislation ***Bulgaria's Commercial Code***

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Bulgaria's Commercial Code

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BULGARIA

Commercial Code [DURZHAVEN VESTNIK 18 Jun] 1

Commercial Code

91BA0858A Sofia DURZHAVEN VESTNIK
in Bulgarian No 48, 18 Jun 91 pp 1-28

["Text" of the Commercial Code, adopted by the Grand National Assembly on 16 May 1991 and signed by Nikolay Todorov, chairman of the Grand National Assembly]

[Text]

Ukase No. 195
of President of the Republic Zhelyu Zhelev
issued in Sofia on 14 June 1991
and sealed with the state seal

On the basis of Article 84, Paragraph 1, and Article 92, Item 8 of the Constitution of the Republic of Bulgaria, I hereby decree that the Commercial Code, adopted by the Grand National Assembly on 16 May 1991, be published in DURZHAVEN VESTNIK.

COMMERCIAL CODE

PART I

GENERAL SECTION

Chapter 1

General Stipulations

Merchant [Turgovets]

Article 1. (1) In the sense of this law, a merchant is any physical or juridical person professionally engaged in one of the following activities:

1. Buying goods or other items with a view to reselling them in their primary, remade, or processed condition;
2. Buying securities with a view to reselling them;
3. Producing goods with a view to their sale;
4. Engaging in insurance, consignment, shipping, warehousing, or leasing activities as a commercial agency or brokerage;
5. Banking activities or foreign exchange transactions;
6. Providing transportation, hotel, tourist, advertising, information, programming, impresario, or other services;
7. Engaging in transactions involving intellectual property;
8. Producing motion pictures and video and sound recordings and similar activities;
9. Publishing or printing activities;
10. Buying, building, or improving real estate with a view to its sale.

(2) The term merchant applies to the following:

1. Commercial companies;
2. Cooperatives, with the exception of house-building cooperatives.

(3) Also considered a merchant is any individual who has opened an enterprise, the purpose and extent of which require that its affairs be run in a commercial manner, even though its activities may not be included in Paragraph 1.

Not Classified as Merchants

Article 2. The following will not be classified as merchants:

1. Physical persons engaged in agricultural activities;
2. Craftsmen or individuals providing services through their personal labor or practicing a liberal profession, unless their activities could be defined as an enterprise in the sense of Article 1, Paragraph 3;
3. Individuals who provide hotel services by renting rooms in their own residential premises.

Chapter 2

Commercial Register

Keeping a Commercial Register

Article 3. (1) The okrug courts will keep a commercial register in which all merchants and the relevant circumstances, as stipulated in this law, will be recorded.

(2) In cases stipulated by the law, other registers for individual types of merchants may be kept.

Obligation To Register

Article 4. (1) All merchants must request that they be recorded in the commercial register, stating the circumstances as stipulated in the preceding article.

(2) Those individuals who must state the circumstances to be registered are defined by law.

(3) All individuals who must request to be entered or who submit documents or signatures as stipulated in this law must accomplish this within a seven-day period from the start of the event, unless otherwise stipulated by the law.

Public Nature of the Commercial Register

Article 5. Anyone has the right to review the commercial register and the documents on the basis of which the entries were made, as well as to obtain transcripts of the same.

Publication of the Entries

Article 6. (1) The court will publish in DURZHAVEN VESTNIK the entries in the commercial register if so stipulated by the law.

(2) The entry will become valid as of the day in which the court announcement is published in DURZHAVEN VESTNIK.

Chapter 3

Trade Name and Head Office

Definition

Article 7. (1) The trade name is the name under which the merchant exercises his occupation and affixes his signature.

(2) In addition to the required information as stipulated by the law, each trade name may include a description of its object of activities, the participating individuals, and an optional addition, described in the Bulgarian language. The trade name must be consistent with the truth; it must not mislead or violate public order and morality.

Branch Trade Name

Article 8. The branch trade name includes the trade name of the merchant, with the additional word "branch."

Trade Name Under Liquidation

Article 9. If a merchant announces the liquidation of a trade name, the supplement "in liquidation" must be added.

Trade Name Change

Article 10. (1) A trade name may be changed at the request of the merchant who registered it.

(2) If a trade name includes the name of an associate who has left the firm, his name may be retained only with his approval.

Exclusive Right

Article 11. (1) A trade name may be used only by the merchant who has registered it.

(2) In the use of a foreign trade name, the interested individuals may demand an end to its further use and request compensation for damages.

Head Office and Address

Article 12. (1) The premises in which the merchant conducts his activities will be considered his head office.

(2) The address of the merchant is also the address of the management of his activities.

Obligation To Provide Information

Article 13. A merchant must indicate in his commercial correspondence the following: the trade name; the head office and address of the management; the court with which he is registered; the number of the registration; and the bank account. The merchant may also give an address for correspondence purposes.

Change of Head Office

Article 14. (1) The change of head office in the activities of a merchant to other premises must be reported to the court where the merchant has registered within the time stipulated in Article 4, Paragraph 3.

(2) In changing the management to an area under the jurisdiction of another court, the action must be reported to the court that has jurisdiction over the merchant's new head office, within the time limit stipulated in the preceding paragraph.

(3) The court in which a merchant was initially registered will immediately officially pass on to the other court the trade name file of the merchant on the basis of his new head office.

Chapter 4

Enterprises and Transactions Involving Enterprises

Transactions Involving an Enterprise

Article 15. (1) As an aggregate of rights, obligations, and actual relations, an enterprise can be transferred through a transaction concluded in writing and with notarized signatures. The transferor must inform the creditors and debtors of the transfer.

(2) In the transfer of an enterprise, unless another agreement has been reached with the creditors, the transferor is liable for the obligations along with the receiver. The holders of accounts receivable must address themselves first to the transferor of the enterprise.

Registration

Article 16. (1) The transfer of an enterprise must be recorded in the commercial register, under the accounts of the transferor and the recipient, and be published in DURZHAVEN VESTNIK.

(2) If the contract involves the transfer of real estate or material rights on such property, the contract must be notarized, as well.

Chapter 5

Branches

Branch

Article 17. (1) Any merchant has the right to open a branch outside the premises where the head office of his enterprise is located.

(2) The branch must be recorded in the commercial register of the court in the area where the head office of the enterprise is located.

(3) The entry must be based on a written declaration, which must include the following:

1. The trade name, head office, and object of activities of the merchant;

2. The registered capital of the merchant, should this be required by law;

3. The head office and the object of activities of the branch;

4. The name of the branch manager.

(4) The declaration must be accompanied by a certificate of registration of the merchant.

(5) The court in which the branch is registered will immediately send a transcript of the decision to be recorded by the court in which the merchant has been registered. This registration will be done through official channels.

Branch Transfer

Article 18. The rules applicable to a merchant apply to the head office and address of the management of the branch and its transfer.

Commercial Books of a Branch

Article 19. A branch will keep commercial books as an independent merchant, without the need to draw up a separate financial statement. The branches of juridical persons who are not merchants in the sense of this law and the branches of foreign individuals will also draw up a financial statement.

Jurisdiction

Article 20. In the case of disputes stemming from direct relations with a branch, claims may be filed against the merchant at the head office of the branch, as well.

Chapter 6

Commercial Representation

Section I

Commercial Agents

Procurator (Trade Manager) [Prokurist (Turgovski Upravitel)]

Article 21. (1) A procurator is a physical person instructed and authorized by a merchant to manage his firm for a remuneration. Such authority may be assigned to more than one person for purposes of individual or joint management. The authorization given to the procurator (the procuration) must include notarized signatures and be declared by the merchant for registration in the commercial register along with a sample of the signature of the procurator.

(2) The procurator will sign by adding to the trade name his own name and the procuration.

Rights of a Procurator

Article 22. (1) A procurator has the right to conduct all activities and transactions related to the exercise of the trade. He can represent the merchant or assign other individuals to carry out specific actions. He has no right to reassign his own rights, given to him by law.

(2) A procurator has no right to expropriate or impose liens on the real estate of a merchant, unless he has been specially authorized to do so. Such authorization may be restricted only to the activities of an individual branch. Other restrictions are invalid in terms of third individuals.

Relations Between a Merchant and a Procurator

Article 23. Relations between a merchant and a procurator are established on the basis of a contract.

Giving Authorization to Third Individuals

Article 24. An authorization will be valid in the case of third individuals after their registration in the commercial register.

Ending the Procurator's Authorization

Article 25. (1) Authorization will be terminated if withdrawn by the merchant and if said withdrawal has been recorded in the commercial register.

(2) Authorization does not become invalid with the death or the legal disability of a merchant.

Commercial Agent [Turgovski Pulnomoshchnik]

Article 26. (1) A commercial agent is an individual authorized by a merchant to engage in activities stipulated in his authorization in return for remuneration. In the absence of other instructions, the agent will be considered as authorized to engage in all activities related to the ordinary activities of the merchant. The authorization must be granted in writing and the signature notarized.

(2) The commercial agent must be given specific authorization for expropriation or for imposing a lien on real estate, accepting obligations related to bills of exchange, leasing, or suing in court. Any other restrictions may be used against a third party only if they were known to said party or if the party should have been aware of them.

(3) A commercial agent may not transfer his rights to someone else without the agreement of the merchant.

(4) A commercial agent must sign his name, adding that of the company and the stipulation that he is its agent.

Relations Between a Merchant and an Agent

Article 27. Relations between a merchant and an agent are based on a contract.

Termination of Trade Authorization

Article 28. The authorization of a trade representative may be terminated in accordance with the stipulations of the civil legislation.

Limitations and Responsibilities

Article 29. (1) A procurator and a commercial agent may not, without the agreement of the merchant, conclude commercial transactions on their own account or on account of a third party, within the limits of their authorization. Consent is implied if the merchant, in granting the authorization, was aware of such activities and if their termination has not been specifically stipulated.

(2) Should the stipulations of the preceding paragraph be violated, the merchant may claim compensatory damages or declare that the transactions concluded by the agents were on his behalf. Such a declaration must be submitted in writing within one month after the merchant has become aware of the transaction, but no later than one year after the transaction was concluded. It must be addressed to the procurator or the commercial agent and the third party.

(3) The statute of limitations for a claim as per Paragraph 2 is five years from the conclusion of the transaction.

Trade Assistant [Turgovski Pomoshnik]

Article 30. (1) Relations between a merchant and a trade assistant are based on a contract.

(2) A trade assistant may not make transactions on behalf of a merchant. If a trade assistant works in a public commercial area, he is considered authorized to make transactions that are usually made in that area.

Restrictions

Article 31. A trade assistant may not engage in commercial activities independently or for other individuals in competition with his own employer, except with the latter's specific agreement.

Section II**Trade Representative [Turgovski Predstavitel]***Definition*

Article 32. (1) A trade representative is an individual who, independently and by virtue of his profession, cooperates with another merchant in the pursuit of his commercial activities. He may be authorized to make transactions on behalf of the merchant or on his own behalf for the merchant.

(2) The contract between a merchant and a trade representative must be in writing.

Obligations of a Trade Representative

Article 33. A trade representative must cooperate or conduct transactions as a good merchant, taking the merchant's interests into consideration. He must immediately inform the merchant of any completed brokering or other transaction.

Obligations of a Merchant

Article 34. (1) A merchant must provide to the trade representative the information required for the conclusion and execution of a contract.

(2) A merchant must immediately inform the trade representative if he accepts an unauthorized transaction.

Remuneration in del Credere Contracts

Article 35. Whenever a trade representative undertakes to be personally liable for the implementation of obligations on concluded transactions, he is entitled to an additional remuneration, which must be agreed upon in writing. The parties may not stipulate in advance that no such remuneration will be due.

Right to Remuneration

Article 36. (1) A trade representative has the right to a remuneration for any transaction made by him or with his assistance during the period of effectiveness of his contract with a merchant.

(2) Whenever a trade representative has been assigned a specific area or range of customers, he has the right to remuneration for transactions that have not been made

with his own assistance but were made by individuals within the same area or with the same customers.

(3) The trade representative has the right to remuneration for collecting funds owed to the merchant.

(4) Either party may demand of the other party copies of the accounts on transactions conducted in accordance with the commercial representation contract.

Amount of Remuneration

Article 37. If the amount of the remuneration has not been stipulated, it will be considered equal to the customary amount paid for such services.

Time Limit for Remuneration

Article 38. A trade representative must receive his remuneration every month, unless stipulated otherwise in the contract.

Compensation for Ordinary Expenditures

Article 39. The trade representative has the right to compensation for ordinary expenditures related to his activities, unless stipulated otherwise in the contract.

Remuneration in Case of Termination

Article 40. (1) A trade representative has the right to remuneration in the case of termination of the contract, provided the merchant continues to receive a profit from the customers developed by the trade representative.

(2) The remuneration will be in the amount of the annual remuneration of the trade representative, computed on the basis of the average remuneration received for the entire duration of the contract.

(3) A remuneration as per the preceding paragraph may not be sought if the contract has been violated through the fault of the trade representative.

(4) At the termination of the contract, the trade representative may not demand remuneration for contracts already concluded or subject to conclusion.

Restrictions After the Termination of the Contract

Article 41. (1) The restrictions imposed upon the activities of a trade representative after the termination of a contract must be stipulated in writing.

(2) The restrictions must apply to the same area and type of commodity or service that is subject to the contract for trade representation. It may not be longer than two years after the termination of the contract. Within the period of restriction, the merchant owes the payment of adequate compensation.

(3) Should a trade representative break a contract because of the fault of a merchant, he has the right, with a written declaration filed within one month after the break, to be free of such a restriction.

Effect of a Restriction

Article 42. A trade representative may, even without authorization, conclude contracts and accept the implementation of activities by third parties, by virtue of which they retain their rights in the case of poor performance by the merchant. The trade representative may demand proof on behalf of the merchant. Such rights do not apply to third parties if they knew or should have known of the restriction.

Confirmation of a Contract

Article 43. If a trade representative concludes contracts without authorization and without knowledge of this fact by the third party, the contract is considered as approved by the merchant, unless the latter rejects it immediately after being informed of it by the trade representative or the third party and informs the other two of this rejection.

Prohibition of Representing Competitors

Article 44. The trade representative may represent different merchants only if they are not in competition with each other. He may agree to act as the exclusive representative of a merchant.

Extent of Representation

Article 45. The contract on trade representation defines the subject and area of action of the trade representative.

Relations Between the Merchant and the Trade Representative

Article 46. (1) The internal relations between a trade representative and a merchant are settled with their contract. Unless otherwise stipulated, a trade representative will provide his own work premises. Unless the remuneration is stipulated in the contract, it will be in the amount considered customary for such representation.

(2) Representation as per the preceding paragraph may not be assigned to another individual within the same area.

(3) The trade representative must note in the documents he issues and in his commercial correspondence the data stipulated in Article 13.

Termination of Trade Representation

Article 47. (1) A trade representative who has terminated his activities must ask the court to delete the entry within the time limit stipulated in Article 4.

(2) If the exercise of representation has been terminated as a result of the death or the juridical disability of a trade representative, the heirs, or the guardian or, in the case of insolvency, the respective court, must inform the registering court of the deletion.

(3) If no request has been filed for the deletion as per the preceding paragraph, the deletion will be done officially by the court the moment the court is informed of the reasons for the deletion.

Area of Application

Article 48. The stipulations of Articles 32-47 do not apply to individuals who participate as representatives or brokers in stock exchange operations or as representatives of auctioneers.

Section III

The Trade Broker [Turgovski Posrednik]

Definition

Article 49. (1) A broker is a merchant who, by virtue of his occupation, brokers deals.

(2) For brokering contracts involving maritime transportation and stock exchange deals, the stipulations governing such activities apply even if a transaction has been made by a trade broker.

Record of a Trade Broker

Article 50. (1) The trade broker must keep a record in which he records daily all concluded contracts. At the end of the day, the trade broker must date and sign the entries.

(2) The entries of contracts must be consecutive in the order of their conclusion and must include the following: the names of the contracting parties, the time of the conclusion of the contract, and the essential stipulations of the contract.

(3) A trade broker must, at the request of the parties, provide them with extracts of his record, which must include everything relative to their contract.

Remuneration of a Trade Broker

Article 51. A trade broker has the right to remuneration, paid by one or both parties, as stipulated by them. If no such stipulation is included, the broker is paid the customary fee for such activities, according to the case, and by both parties.

Section IV

Trade Secrecy Obligation

Article 52. In carrying out his activities, the procurator, the commercial agent, the trade assistant, the trade representative, or the trade broker must keep the trade secrets of the individuals who have assigned him specific activities and protect their trade reputation.

Chapter 7

Commercial Records

Accounting Requirements

Article 53. (1) Every merchant must keep books that reflect the dynamics of the property of his enterprise. Such dynamics will be recorded chronologically.

(2) By taking inventory within the time limits stipulated in the Law on Accounting, a merchant must determine the existence and value of the elements of the assets and liabilities that are part of his enterprise's holding.

(3) A merchant must total the results of his commercial activities on the basis of the entries in his bookkeeping records and inventory lists, drawing up an annual profit and loss statement and, if necessary, have the required bookkeeping references. The annual profit and loss statement must be signed by a CPA [certified public accountant].

Link Between the Starting and the Interim Financial Statements

Article 54. The starting financial statement for each year must be consistent with the concluding financial statement for the preceding year. It is also drawn up when a merchant closes down his business.

Proof

Article 55. (1) Regularly kept commercial books and their entries may be accepted as proof among merchants in conducting commercial transactions.

(2) Trade records kept in violation of the stipulations of this law and the Law on Accounting may not be used as proof to the advantage of those who should keep regular books.

PART II

TYPES OF MERCHANTS

Section I

Private Merchant [Ednolichen Turgovets]

Chapter 8

Merchant-Physical Person

Definition

Article 56. Any able-bodied physical person residing in the country may register as a private merchant.

Restrictions

Article 57. The following individuals may not be accepted as private merchants:

1. Individuals who are in the process of declaring bankruptcy;
2. Individuals who have deliberately caused bankruptcy and failed to pay creditors.

Registration

Article 58. (1) A private merchant is registered on the basis of a declaration that must include the following:

1. Name, residence, address, and identification number of the individual;
2. The trade name under which activities will be conducted;
3. The head office and address of the management of activities;
4. The subject of activities.

(2) The declaration must be accompanied by a sample of the signature of the merchant and a statement that he has the right to engage in commercial activities.

(3) An individual may register only one trade name as a private merchant.

The Trade Name of a Private Merchant

Article 59. The trade name of a private merchant must include the full first and last name or patronymic by which he is known in society.

Transfer of a Trade Name

Article 60. (1) The trade name of a private merchant may be transferred to a third individual only together with the enterprise. The agreement of the transfer of the trade name must be given in accordance with Article 15, Paragraph 1.

(2) The heirs of a private merchant, who take over the enterprise, may retain the trade name.

(3) In the cases stipulated in the preceding paragraphs, the name of the new owner must be added to the trade name.

(4) The transfer must be entered in the commercial register and published in DURZHAVEN VESTNIK.

Section II

State and Municipal Enterprises

Chapter 9

Commercial Public Enterprise [Turgovets-Publichno Predpriyatie]

Status

Article 61. A state or municipal enterprise may be a private [ednolichno] company with limited liability or a private [ednolichno] shareholding company. State and municipal enterprises may set up other types of commercial companies or associations of commercial companies.

Founding

Article 62. (1) The founding and reorganization of state enterprises as private companies with limited liability or as private shareholding companies will be based on the procedure stipulated by the law.

(2) The founding and reorganization of municipal enterprises as private companies with limited liability or private shareholding companies will be based on the decision of the municipal people's council.

(3) By promulgated law, state enterprises that are not commercial companies may be founded.

Section III

Commercial Companies [Turgovsko Druzhestvo]

Chapter 10

General Stipulations

Definition

Article 63. (1) A commercial company is formed when two or more individuals join for the purpose of engaging in commercial transactions, using their combined assets.

(2) In the cases stipulated in the present law, a company may be organized by a single individual, as well.

(3) Commercial companies are juridical persons.

Types of Commercial Companies

Article 64. (1) Commercial companies may be the following:

1. Partnerships [subiratelno druzhestvo];
2. Limited partnerships [komanditno druzhestvo];
3. Companies with limited liability [druzhestvo s ogranichena otgovornost];
4. Corporations [aktsionerno druzhestvo];
5. Limited shareholding partnerships [komanditno druzhestvo s aktsii].

(2) No types of companies other than those stipulated in this law may be founded.

(3) Banking and insurance activities may be performed exclusively by corporations or cooperative organizations.

Participants in a Company

Article 65. (1) Any able-bodied Bulgarian or foreign physical or juridical person may found a company.

(2) An individual can participate in more than one company to the extent that it is permitted by law.

Preliminary Contract for Founding a Company

Article 66. An individual who would like to found a company may stipulate the actions that are to be taken to found the company. In the case of the nonfulfillment of obligations as per the contract, the parties will be held liable only for the eventual resulting damages.

Founding of a Company

Article 67. A company will be considered founded at the time it is recorded in the commercial register. The request for registration must be submitted by the elected management body.

Interpretation of the Bylaws

Article 68. In the interpretation of the bylaws, the intentions of the parties and the purpose of the interpreted stipulation must be established.

Liability for the Actions of a Company Prior to Its Registration

Article 69. (1) The actions of the founders conducted on behalf of a founded company prior to its registration generate rights and obligations affecting the individuals who have committed them. When participating in transactions, it is mandatory to indicate that a company is in the process of being founded. Individuals who have concluded the transactions are jointly responsible for the assumed obligations.

(2) If a transaction is concluded by the founders or their representative, the rights and obligations are transferred by law to the new company.

An Invalidly Founded Company

Article 70. (1) The founding of a company is invalid if a violation of the law, which cannot be corrected, has been committed.

(2) Any interested party, as well as the prosecutor, may ask the court to declare the company invalid.

(3) The court's ruling declaring the company invalid becomes effective as of its promulgation. As of that moment, the company is considered terminated. This fact is officially entered in the commercial register, after which the company is liquidated by a liquidator appointed by the court.

(4) If activities have been carried out on behalf of a company that has been declared invalid, the founders will jointly and individually be held liable for the assumed obligations.

Membership Protection

Article 71. Any member of a company may submit a request to the okrug court where the head office of the company is located, demanding protection of the right of membership and discrete membership rights should they be violated by the company's authorities.

Nonmonetary Contribution

Article 72. (1) If any associate or stockholder makes a nonmonetary contribution, the company contract or bylaws must include the name of the contributor, a full description of the nonmonetary contribution, its monetary value, and proof of his rights.

(2) The contribution must be assessed by three experts appointed by the court, which will register the company at the request of the contributor and the founders. The assessment in the company contract or the bylaws may not exceed that of the experts submitted to the court.

(3) Should the contributor disagree with the assessment, he may become a member of the company with a monetary contribution or refuse to participate in the company.

(4) Future labor or services may not be considered a contribution.

Making Nonmonetary Contributions

Article 73. (1) A contribution entitling a founding or a transfer, which requires a notarized document, must be based on a company contract. If a contribution is made to a corporation, the bylaws must include the written agreement of the contributor, describing the contribution, and his notarized signature.

(2) The contribution of other rights is based on the form of the founding or the transfer of a company as stipulated by law.

(3) The contribution of a claim is entered in the company contract or the bylaws; the contributor will submit proof that he has informed the debtor of the transfer of the claim.

(4) The right to the claim is acquired at the time of the founding of the company.

(5) If the contribution consists of a material right over real estate, the respective company body, after the founding of the company, must present to the notary, for record purposes, a notarized excerpt of the company contract and, if necessary, a separately drawn up agreement of the contributor. The management body must submit the notarized excerpt of the bylaws and the agreement of the contributor. For purposes of the entry, the notary public will certify the rights of the contributor.

Revoking a Resolution Passed at a Company's General Meeting

Article 74. (1) Any associate or stockholder may request the okrug court where the head office of a company is located to revoke a decision made at a general meeting, should it conflict with the mandatory stipulations of the law or the constituent contract or the bylaws of the company. Such a claim is filed against the company.

(2) The claim must be filed within 14 days of the day of the meeting, should the claimant be present or been properly invited to attend—in all other cases, within 14 days of discovery but no later than three months from the day of the general meeting.

(3) Any associate or stockholder may become a party to the case in accordance with the stipulations of the Civil Procedure Code. He may uphold the claim even if the claimant has withdrawn it.

Invalid Repetition of a Revoked Resolution

Article 75. (1) The instructions issued by the court in revoking a resolution passed at a general meeting regarding the interpretation of the laws, the constituent contract, and the bylaws are binding for other general meetings should there be further consideration of the same matter.

(2) The resolutions or actions of the authorities of the company that conflict with an enacted court resolution are considered invalid. Any associate or stockholder has the right to refer to the invalidation or demand that the court make it public.

Chapter 11

Partnership [Subratelno Druzhestvo]

Section I

General Stipulations

Definition

Article 76. A partnership is a company formed by two or more individuals who intend to engage professionally in

commercial transactions under a joint trade name. The partners are held liable jointly and without limitations.

The Trade Name

Article 77. The trade name of a partnership consists of the family names or the trade names of one or more of the partners, with the indication "partnership" or "association" [sudruzhiye] ("s-ie").

Content of the Constituent Contract

Article 78. The constituent contract of a partnership must be drawn up in writing, and the signatures of the partners must be notarized. It must include the following:

1. Name and location of the trade name and the head office and the addresses of the partners;
2. Trade name and head office of the partnership;
3. Type and amount of contributions made by every partner and their assessed value;
4. Means of distribution of profits and losses among the partners;
5. Means of managing the partnership and its representation and means of decisionmaking.

Registration of a Partnership

Article 79. (1) The declaration for the registration of the partnership in the commercial register must be signed by all partners and must be accompanied by the constituent contract.

(2) The data stipulated in Items 1, 2, and 5 of the preceding article must be recorded in the register.

(3) The individuals who, according to the contract, represent the partnership must submit samples of their signatures.

Section II

Juridical Relations Among Partners

Priority of a Contract

Article 80. With the exception of the stipulation in Article 87, the juridical relations among the partners are defined in this section of the law, unless otherwise stipulated in a constituent contract.

Compensation for Costs and Damages

Article 81. (1) A partner has the right to be compensated for the necessary expenditures he has incurred in his work for the partnership, as well as for damages suffered as a result of such work.

(2) The partnership owes the partner the legal interest for costs incurred or damages suffered.

Obligations for Interest Payments

Article 82. If a partner is late in making his monetary contribution or is given or takes money from the company for his own use without being entitled to do so, the amounts must be refunded to the partnership with the legally charged interest. In the case of more substantial damages to the partnership, the partnership may seek to recover the difference.

Forbidden Competition

Article 83. (1) A partner may be a member of another company or take part in transactions that pertain to the activities of a company on his own account only with the agreement of the other partners.

(2) If a partner is engaged in activities as per the preceding paragraph without the agreement of the partners, he must pay compensation to the partnership for the damages caused. Any partner may submit a claim for damages caused.

(3) The right to file a claim as per the preceding paragraph expires three months from the day the partners are informed of the actions that were committed, or three years after their commission, if the partners have not been informed.

Management

Article 84. (1) Any one partner has the right to manage the operations of a partnership unless the partnership contract assigns such management to one or several partners or to another individual.

(2) The agreement of all partners is necessary for the acquisition and exercise of material rights on real estate, the appointment of a manager who is not a partner, or the conclusion of a contract for a monetary loan in amounts higher than those stipulated in the constituent contract.

Revocation of Management Assignment

Article 85. A decision to assign management duties to one or several partners may be revoked by the okrug court where the head office of the company is located at the request of some of the partners, should the managers violate their obligations, as well as on the basis of other grounds stipulated in the contract. The court's ruling must be recorded officially.

Right of Control by a Partner

Article 86. A partner who does not directly participate in management may request, in person, information on the work of the partnership, review the books and other papers related to the partnership, and ask the managers for explanations.

Decisionmaking

Article 87. If, according to the constituent contract, decisions in the partnership are made by majority vote, every partner has the right to one vote. The decisions must be entered in the minutes.

Section III

Juridical Relations Between Partners and Third Persons

Partnership Liability

Article 88. In the case of claims filed against a partnership or against any one of the partners, the court will summon as defendants all partners. The mandatory execution of rulings will be first against the partnership or, should this be impossible, against the partners.

Representation

Article 89. (1) A company is represented by any given partner unless otherwise stipulated by the partnership contract.

(2) Restrictions on the representative authority of a partner are invalid regarding third parties acting in good faith unless entered in the commercial register.

Revocation of Power of Representation

Article 90. The power of representation by a partner may be revoked under the conditions and the procedures of Article 85.

Partnership Claims

Article 91. A partner may file a claim on his own against a creditor of a partnership in addition to a claim filed by the partnership.

Liability of Partners

Article 92. Anyone who joins an existing partnership will be as liable for all the obligations of the partnership as are the other partners.

Section IV

Termination of a Partnership and a Membership

Grounds for Termination

Article 93. A partnership may be terminated in the following cases:

1. The expiration of the time limit;
2. By agreement of the partners;
3. If the partnership declares bankruptcy;
4. Unless otherwise stipulated, with the death or total legal disability of a partner or the termination of a partner who is a juridical person;
5. By declaring a partner bankrupt;
6. With a notification of the termination of the partnership;
7. By a decision of the court in cases stipulated by the law.

Termination by a Partner With Advance Notification

Article 94. If a partnership has been formed without a termination date, any partner may request its termination; to do so, at least six months prior to submitting a

request, he must submit in writing an advance notification to all partners, unless otherwise stipulated in the constituent contract.

Termination by Decision of the Court

Expulsion of a Partner

Article 95. (1) The okrug court may terminate a partnership at the request of a partner if another partner deliberately or because of gross negligence fails to fulfill his obligations as per the constituent contract, or if the implementation of the obligation becomes impossible. This rule also applies when a partner acts against the interests of the partnership.

(2) At the request of a partner, the court can expel the guilty partner instead of terminating the partnership.

Termination With Advance Notice by an Individual Creditor of a Partner

Article 96. (1) If a claim filed against a partner for the mandatory attachment of the property of a partner by a creditor of said partner cannot be satisfied within six months, the share of the partner subject to liquidation may be garnisheed by the claimant, who may request the termination of the partnership on the basis of a prior written notice, in accordance with the procedure stipulated in Article 94.

(2) A partnership may not be terminated if it or the other partners settle the debt after the attachment as per the preceding paragraph has been issued. In that case, it is only the membership of the partner in the partnership that is terminated, unless the partners decide otherwise.

Extension of a Partnership

Article 97. (1) The constituent contract may stipulate that a partnership will continue to exist even after the membership of a partner is terminated. In that case, the remaining partners will pay his share of the property to the partner who has terminated his membership, or, in the case of the death of the partner, membership may be granted to his heirs should they express the wish to become members. The heirs must file their requests to become members of the partnership within three months of the start of the probate.

(2) If the heirs do not wish to become partners, or, in the case of terminating the membership of a partner, the partnership will refund the value of the share to the heir or to the partner who has terminated his membership out of the property of the partnership and the share of its annual profit for the time preceding the termination of the partnership.

Statute of Limitations

Article 98. (1) The statute of limitations for claims filed against a partner for obligations assumed by the partnership is five years, unless the claim filed against the partnership is subject to a longer statute of limitations.

(2) The statute of limitations begins as of the day in which the termination of the partnership or the withdrawal of a partner has been recorded in the commercial register.

(3) The expiration of the statute of limitations in the case of a terminated partnership is effective also for the members of the partnership at the time of the termination.

Chapter 12

Limited Partnership [Komanditno Druzhestvo]

Section I

General Stipulations

Definition

Article 99. (1) A limited partnership is established on the basis of a contract between two or more individuals for the purpose of engaging in commercial activities under the same trade name with one or more of the associates being jointly and without limitation liable for the obligations of the partnership, while the others are liable only to the limit of the stipulated contribution.

(2) The partners with unlimited liability must participate with no less than one-tenth of the partnership's capital.

(3) The stipulations of a partnership apply to a limited partnership inasmuch as no other stipulations are formulated in this chapter.

Form

Article 100. The partnership contract must be drafted in writing, and the signatures of the partners must be notarized.

Trade Name

Article 101. (1) The trade name of the partnership must include the word "limited partnership" or the abbreviation "KD" [Komanditno Druzhestvo], and include the name of at least one of the partners with unlimited liability.

(2) The name of the partner with limited liability is not included in the trade name. However, if it is included, the partner will be considered liable without limitation to the creditors of the partnership.

Content of a Contract

Article 102. A contract for the founding of a limited partnership must include the following:

1. The company's trade name;
2. The head office and address;
3. The object of activity;
4. The name or the trade name and the address of the partners and the extent of their liability;
5. The capital;

6. The type and amount of contributions made by the partners;
7. The means of distribution of profits and losses among partners;
8. The method of management and the representation of the partnership.

Registration

Article 103. A limited partnership must be registered in the commercial register at the location of its head office by the partners with unlimited liability, who must enclose the constituent contract and samples of their signatures.

Section II

Juridical Relations Among Partners

Priority of a Contract

Article 104. Relations among partners, unless otherwise stipulated in the contract, will be settled in this section.

Management

Article 105. The management and the representation of the partnership will be controlled by the partners with unlimited liability. A partner with limited liability has no right to practice management and may not block a decision made by the partners with unlimited liability.

Actions of a Partner With Limited Liability

Article 106. If a partner with limited liability engages in transactions on behalf of and at the expense of a partnership, without being its manager or representative, he becomes personally liable unless the partnership confirms the transaction.

Prohibition Applying to the Partner With Unlimited Liability

Article 107. The rule stipulated in Article 83 applies to partners with unlimited liability.

Rights of Partners With Limited Liability

Article 108. The partner with limited liability may review the books of the partnership and request a transcript of the annual profit and loss statement. Should his request be denied, the okrug court may order the submission of such records.

Participation in the Profits and Losses of a Partner With Limited Liability

Article 109. (1) If the partner with limited liability has not deposited in full his stipulated contribution, his share of the profit will be consistent with the amount of his contribution.

(2) The partner with limited liability participates in the losses to the extent of his stipulated contribution. He is not obligated to pay for subsequent losses from earned profits.

Prohibition on Profit Distribution

Article 110. Should it be established, after the end of the calendar year, that the partnership has suffered losses, reflected in the contributions that were made, no profit will be distributed until the planned amount has been restored.

Section III

Juridical Relations With Third Persons

Liability of a Partner With Limited Liability

Article 111. A partner with limited liability is liable to the creditors of a partnership to the amount of the stipulated contribution, even if it has not been made in full.

Liability Prior to Registration

Article 112. A partner with limited liability is fully liable for transactions concluded by him on behalf of the company prior to or after its founding, on the assumption that the creditor was unaware of the fact that he was contracting with a partner with limited liability.

Chapter 13

A Company With Limited Liability [Druzhestvo s Ogranichena Otgovornost]

Section I

General Stipulations

Definition

Article 113. A company with limited liability may be founded by one or several individuals, who are liable for the obligations assumed by the company with their share contributed to the company's capital.

Form of Company Contract

Article 114. An associate may be represented by proxy with a specific authorization and a notarized signature.

Content of a Company Contract

Article 115. A company contract must include the following:

1. Trade name and head office of the company;
2. Object of activities and duration of the contract;
3. Name and trade name of associates;
4. Amount of capitalization. If the entire amount of capital has not been paid at the time of the founding, the contract must stipulate the terms and conditions for such payments;
5. The number of the shares with which the associate participates in the capitalization;
6. Management and method of representation;
7. Preferences granted to associates, if such are stipulated;
8. Other rights and obligations of the associates.

Trade Name

Article 116. (1) A company's trade name must include the stipulation "company with limited liability [druzhestvo s ogranichena otgovornost] (OOD)."

(2) If the capital belongs to a single individual, the trade name must include the stipulation "private Ltd. [ednolichno OOD]."

Capital and Shares

Article 117. (1) The capital of a company with limited liability may not be less than 50,000 leva. It consists of shares owned by the associates, which cannot be less than 500 leva.

(2) The sum of the shares must be equal to the capital, and the value of each share must be a multiple of 100.

(3) The number of shares may vary among the individual associates.

(4) One share may be owned jointly by several individuals.

Liability of the Founders

Article 118. (1) The founders are jointly liable to the company for any harm they have caused in its founding, if they have failed to act as good merchants.

(2) The founders have no right to a remuneration from the capital for having founded the company.

Registration

Article 119. (1) The following is required to register a company in the commercial register:

1. Submission of the company's contract;
2. The appointment of a company manager or managers;
3. Every associate to have paid at least one-third of his portion but no less than 500 leva;
4. At least 70 percent of the statutory capital to have been paid.

(2) The register must include the data as per Items 1, 2, 3, 4 (the amount of capital only), and 6 of Article 115, which are made public.

Section II**Rights and Obligations of Associates***Shares*

Article 120. (1) Every associate must pay in full or contribute his share in accordance with the procedure stipulated in the company contract.

(2) The obligation as per the preceding paragraph may not be remitted or subtracted from any obligation the company may have toward the associate.

Consequences in Cases of Nonpayment or Noncontribution of a Share

Article 121. (1) The nonpayment or noncontribution of a share is sufficient reason to expel an associate from a company. An associate who has not paid or contributed his share within the stipulated time owes the legal interest and compensation for damages in excess of his payment.

(2) If the share cannot be paid or contributed by an associate, or if it cannot be sold to another person, the other associates must pay the missing amount in accordance with their prorated shares or reduce by that amount the company's capital in accordance with proper procedures.

Admission of New Associates

Article 122. A new associate is admitted at a general meeting on the basis of a filed written request in which he states that he accepts the stipulations of the company contract. The acceptance decision must be recorded in the commercial register.

Rights of an Associate

Article 123. Every associate has the right to participate in the management of the company and the distribution of the profits and be kept informed about the state of affairs of the company, and to review the company records; he also has the right to a liquidation share.

Obligations of an Associate

Article 124. An associate must have paid or contributed his share and participated in the management of the company; he may assist in the exercise of the company's activities and implement the resolutions passed at a general meeting.

Termination of Participation in a Company

Article 125. (1) The participation of an associate is terminated in the following cases:

1. Death or total legal disability;
2. Expulsion;
3. Termination with liquidation, in the case of juridical persons;
4. Declaration of bankruptcy.

(2) An associate may terminate his participation in the company with an advance notice in writing, submitted at least three months prior to the date of the intended termination.

(3) The disposal of property must be settled on the basis of the financial statement drawn up at the end of the month during which the termination occurred.

Expelling an Associate

Article 126. (1) An associate who has neither paid nor contributed his share may be expelled at a general meeting. He may be given additional time to pay; if he does not pay, he will be considered expelled. The administrator will inform the associate in writing of the decision approved at the general meeting.

(2) In the case stipulated in Paragraph 1, the associate loses the right to his contribution.

(3) An associate may be expelled at a general meeting after a written warning has been issued in the following cases:

1. If he fails to carry out his obligations in assisting in the implementation of the activities of the company;

2. If he does not implement the resolutions of the general meeting;

3. If he acts against the interests of the company.

An Associate's Share

Article 127. Each associate owns a share of the property of the company, the amount of which is stipulated in accordance with his share of the capital, unless otherwise stipulated.

Certificate of Participation

Article 128. A certificate issued to associates concerning their participation in the company is not considered a security.

Share Transfers

Article 129. (1) A company share may be transferred or inherited. The transfer of a company share from one associate to another takes place freely; transfer to third parties is based on observing the requirements governing the acceptance of a new associate.

(2) The transfer of a company share is accomplished with notarized signatures on the contract and is recorded in the commercial register.

Transfer Liability

Article 130. The receiver is jointly responsible with the seller for contributions to the unpaid capitalization at the time of the transfer.

Division of a Company Share

Article 131. The division of a company share is allowed only with the agreement of the associates, unless otherwise stipulated.

Co-Ownership of a Share

Article 132. If a share of the capital belongs to several individuals, said individuals may exercise their rights based on it only jointly. They are jointly responsible for the liabilities entailed by this share. The co-owners of the share must name an individual to represent them in the company.

Profits and Payments

Article 133. (1) Associates may not demand the withdrawal of their shares as long as the company is in existence. They have only a right to the part of the profit consistent with their shares, unless otherwise stipulated.

(2) Interest paid on the shares of the associates may not be stipulated in advance.

Additional Monetary Contributions

Article 134. (1) By a decision made at a general meeting, in order to cover losses and in the case of temporary need for funds, the associates may be requested to make additional monetary contributions for a specific period of time. Such additional contributions must be consistent with the share of capitalization, unless otherwise stipulated.

(2) The associates are liable for failure to make additional contributions within the stipulated time, as they are for failure to contribute their shares.

(3) Additional contributions are not reflected in a company's capital. The payment of interest on such contributions may be stipulated.

Section III

Management

Types of Authoritative Bodies

Article 135. (1) The following are the authoritative bodies of a company:

1. The general meeting;

2. The manager (managers).

(2) The manager does not have to be an associate.

A General Meeting of Associates

Article 136. (1) The participants at a general meeting are the associates.

(2) The company manager attends a general meeting in an advisory capacity unless he is an associate.

(3) If more than 50 individuals are hired by a company, they are represented at a general meeting in an advisory capacity.

Powers of a General Meeting

Article 137. (1) A general meeting:

1. Amends and supplements the company contract;

2. Accepts and expels associates and agrees to the transfer of a company share to a new member or to a new associate;

3. Accepts the annual profit and loss statement and financial statement, determines the profit, and passes a resolution on its disbursement;

4. Makes decisions on reducing or increasing capitalization;

5. Elects a manager and sets his salary, or releases him from his responsibilities;

6. Makes decisions on the opening and closing of branches and participation in other companies;

7. Makes decisions on the purchase and transfer of real estate and material rights pertaining to said estate;

8. Makes decisions on submitting claims by the company against the manager or controller and appoints a representative if they are sued in court;

9. Makes decisions on additional monetary contributions.

(2) An associate has the number of votes at a general meeting in proportion to his share of the capital, unless otherwise stipulated in the contract.

(3) The decisions as per Items 1, 2, 4, and 7 of Paragraph 1 must be adopted unanimously by all associates. An expelled associate may not vote. The other resolutions are passed by a simple majority of the capital unless otherwise stipulated in the company contract.

(4) Associates may vote by proxy only with a specific written authorization, except for associates who are juridical persons and are legal representatives.

(5) At a general meeting, decisions on labor and social problems are made after an address by the representative of the company's personnel.

Convening a General Meeting

Article 138. (1) A general meeting must be convened by a manager at least once annually.

(2) A manager must also convene a general meeting at the written request of the associates whose shares exceed one-tenth of the capital. Should a manager fail to convene a meeting within a period of two weeks, the associates requesting such meeting will have the right to convene it themselves.

(3) A manager must convene a general meeting if losses exceed 25 percent of the capital.

Invitation To Attend a General Meeting

Article 139. (1) A general meeting is convened on the basis of a written invitation issued to every associate at least seven days prior to the date set for the meeting, unless otherwise stipulated in the company contract. The invitation must include the agenda.

(2) The decisions of the general meeting may be made by proxy provided all the associates have stipulated in writing their acceptance of the decision.

Recording Decisions

Article 140. (1) The decisions of a general meeting as per the stipulations of Article 119, Paragraph 2 must be recorded in the commercial register.

(2) The stipulations of Paragraph 1 apply to decisions made by the owner in a sole proprietorship.

Management and Representation

Article 141. (1) A manager organizes and manages the activities of a company in accordance with the law and the resolutions passed at a general meeting.

(2) A company is represented by a manager. If there are several managers, each may act independently unless otherwise stipulated by the company contract.

(3) The name of the manager, whose signature must be notarized, must be recorded in the commercial register. The entry must be published in DURZHAVEN VESTNIK.

Prohibition of Competitive Activities

Article 142. (1) Without the agreement of the company, a manager does not have the right:

1. To engage in commercial transactions on his own behalf or on behalf of someone else;

2. To participate in partnerships, partnerships with limited liability, and companies with limited liability;

3. To hold a position in the managing bodies of other companies.

(2) The limitations as per Paragraph 1 apply in the case of activities similar to those practiced by a company.

(3) In case of violations as per Paragraph 1, a manager, unless he is an associate, may be dismissed without prior notification and has no right to compensation. He must pay compensation for damages inflicted upon the company.

Company Books

Article 143. (1) The company keeps records of the shares and of the minutes containing the resolutions passed at the general meeting.

(2) The record listing the shares includes the amount of the share of every associate, the contributions made, and any changes therein.

(3) The manager is responsible for the regular keeping of the company books.

Controller

Article 144. (1) A company contract may call for the appointment of a controller (controllers), who will supervise the observance of the company contract, protect the company's property, and report to the general meeting.

(2) The following may not be controllers:

1. Managers, their deputies, and individuals hired by the company;

2. Spouses and direct and collateral relatives no closer than three times removed of the individuals listed in the preceding items;

3. Individuals who have lost by court ruling the right to hold a material-accountability position.

(3) In a sole proprietorship, the controller is appointed by the owner.

Manager and Controller Liability

Article 145. The manager and the controller are materially liable for damages to the company.

Auditors

Article 146. (1) The annual accountability report of a company is reviewed by one or several auditors—CPA's.

(2) Such an audit is a prerequisite for the adoption of the annual profit and loss statement.

(3) The auditors are appointed at a general meeting before the end of the calendar year. They must make a bona fide and impartial audit and ensure secrecy.

Management of a Sole Proprietorship [Ednolichno OOD]

Article 147. (1) The sole owner of capital manages and represents a company personally or through a manager appointed by him. If the owner is a juridical person, his manager or assigned individual manages the company.

(2) The sole owner makes the decisions that are within the purview of the general meeting.

Section IV

Amendments to a Company Contract

Increased Capitalization

Article 148. (1) Capitalization may be increased as follows:

1. By increasing the number of shares;
2. By subscribing new shares;
3. By accepting new associates.

(2) The associates may increase their shares in proportion to those they own unless the company contract or a decision made at a general meeting stipulates otherwise.

Reduction of Capitalization

Article 149. (1) Capitalization may be reduced to no less than 50,000 leva by decision on amending the company contract without violating the stipulations of Articles 150 and 151.

(2) The decision must indicate the purpose of the reduction, its amount, and the means of accomplishing it.

(3) The reduction may be accomplished by the following means:

1. Reducing the value of the share in the capitalization;
2. Refunding the share of the capital to an associate who has terminated his participation;
3. Releasing from the obligation to pay the part of the share of capitalization that is still owed.

Advance Notice to Creditors

Article 150. (1) A decision to reduce the capitalization must be published in DURZHAVEN VESTNIK. In that announcement, the company states that it is ready to guarantee its debts or to pay the creditors the funds owed them by the day of publication, should they disagree with the decrease.

(2) The acceptance by the creditors of a reduction is assumed unless they express their disagreement in writing no more than three months prior to the publication.

(3) The known creditors are informed in writing.

Recording a Reduction

Article 151. (1) A change in a company contract with which capitalization is reduced must be recorded following the expiration of the time limit as per the preceding article.

(2) The demand for recording must be accompanied by proof of the observance of the stipulations of Article 150 and a written declaration by the manager to the effect that the creditors who disagree with the reduction have been issued the necessary securities or have been paid.

Liability of Managers

Article 152. If the data submitted by the manager on registering the reduction in capitalization are inaccurate, the manager is liable for the damages caused to the creditors to the amount to which they were not satisfied by the company. If there are several managers, they are jointly liable.

Payments Due to Reduction

Article 153. Refunds must be given to the associates as a result of the reduction of capitalization only after the reduction has been recorded in the commercial register.

Section V

Termination and Liquidation of a Company

Termination of a Company

Article 154. (1) A company is terminated as follows:

1. At the expiration of the time limit specified in the company's contract;
2. By decision of the associates, based on a two-thirds majority capital, unless otherwise stipulated in the company contract;
3. As a result of a merger with a corporation or any other company with limited liability;
4. Because of bankruptcy;
5. By decision of the okrug court in the cases stipulated in this law.

(2) The company contract may stipulate other grounds for its termination.

Termination Based on Court Decision

Article 155. By decision of the okrug court relating to the registration of a company, a company may be terminated as follows:

1. At the request of the associates, if this is made necessary for major reasons. A claim is filed against the company if the shares of the claimants total more than one-fifth of the capital;
2. By a claim filed by the prosecutor if the company was not organized in accordance with the law or if its activities conflict with the law.

Liquidation of a Company

Article 156. (1) The liquidation of a company begins with the termination of the company, as per Article 154, Items 1, 2, and 5, and Article 155.

(2) The manager acts as the liquidator of the company unless the contract or a decision made at a general meeting stipulates otherwise.

(3) If so requested by the controller or the associates who represent no less than one-tenth of the capital, the court may appoint other liquidators.

(4) The liquidation of a company takes place in accordance with the procedure stipulated in Chapter 17.

Termination of a Sole Proprietorship [Ednolichno OOD]

Article 157. (1) A company in which the capital is owned by a single physical person is terminated with his death unless otherwise stipulated or unless the heirs request a continuation of its activities.

(2) If the capital is owned by a juridical person, the company is terminated with the termination of the juridical person.

Chapter 14**Corporation [Aksionerno Druzhestvo]****Section I****General Stipulations***Definition*

Article 158. (1) A corporation is a company whose capital is apportioned into shares. The company is liable to its creditors with its assets.

(2) The trade name of a corporation must include the words "corporation" [aksionerno druzhestvo] or the abbreviation "AD."

Number of Founders

Article 159. (1) The founders of a corporation may be no fewer than two physical or juridical persons.

(2) In the cases stipulated by law, a corporation may be founded by a single individual. The founding act must list the bylaws, determine the system of management, and appoint the first supervisory council or a board of directors and define their mandate.

Founders

Article 160. (1) The founders are the persons who have signed the proposal for organizing a company.

(2) Persons who have declared bankruptcy may not be founders.

Capital and Shares

Article 161. (1) The capital and the value of the shares are defined in leva.

(2) The minimal capital of a corporation, if founded by subscription, is 5 million leva; without subscription it is 1 million leva.

(3) The minimal nominal value of the capital of companies that engage in banking and insurance activities must be 10 million leva.

(4) The capital must be fully subscribed.

Nominal Value of a Share

Article 162. The minimal nominal value of a share is 100 leva. A higher nominal value of a share must be in multiples of 100.

Section II**Founding***Subscription Offer*

Article 163. The founders draft and publish a signed offer for acquiring capital for a company.

Content of an Offer

Article 164. (1) The offer initiating a subscription must include the following:

1. The object of activities and the head office of the company;
2. The amount of capital, the number of shares, and the nominal value of a share;
3. The minimal amount of the nominal value of a share that must be paid in subscribing, but no less than 25 percent;
4. The time limit for the subscription;
5. The options the founders retain for themselves, if there are such. Such options may not consist of bonuses, interest, or preliminary withholdings from the income of the company;
6. Nonmonetary contributions that may be made by the founders;
7. The right of the founders to appoint the first supervisory council and a board of directors of a company, whose term must not exceed three years, if a term is stipulated;
8. Other conditions for founding the company.

(2) A certified copy of the offer is issued to all investors.

Founders' Liability

Article 165. The founders are jointly liable for damages caused as a result of inaccurate data included in the offer.

Contributions

Article 166. (1) Cash payments are deposited in a bank account opened by the founders in their name, with the name of the depositor; the use of the deposited funds must be based on their unanimous decision. After a

company has been founded, the collected funds are transferred to the company's account.

(2) The stipulations of Articles 72 and 73 apply to nonmonetary contributions.

Temporary Certificate

Article 167. (1) Stockholders are issued temporary certificates, signed by the founders or by their representative, certifying to the property contributions made in exchange for the subscribed shares.

(2) Shares are issued to stockholders when they present temporary certificates.

Constituent Meeting

Article 168. (1) Within the two months following the expiration of the subscription time, or after the entire capital of a company has been subscribed, the founders will call a constituent meeting.

(2) A constituent meeting has decisionmaking rights if it represents at least one-half of the subscribed capital and has a quorum of no fewer than five individuals who are stockholders.

(3) If within a period of two months the founders are unable to certify to the bank that a company has been founded, the subscribers may withdraw their contributions in full. The founders are jointly liable for the refund of the deposits.

Founding Without a Subscription Offer

Article 169. Capital may be collected at a constituent meeting itself if the other requirements have been met. This requires the presence of at least two individuals who have subscribed to purchase stock, representing no less than one-half of the subscribed capital.

Tasks of a Constituent Meeting

Article 170. (1) A constituent meeting:

1. Determines whether the capital has been collected and the necessary contributions made, and issues a resolution on the report submitted by the founders releasing them from liability;

2. Makes the decision to found a company;

3. Adopts the bylaws;

4. Elects a supervisory council or a board of directors, with the exception of the cases stipulated in Article 164, Item 7.

(2) The resolutions as per Items 1-3 of the preceding paragraph must be passed unanimously.

(3) Any decision made at a constituent meeting that amends the stipulations included in the subscription offer becomes invalid unless all the stockholders are present at the meeting and have agreed to accept the amendment.

Founding a Company With Subscribed Capital

Article 171. If the capital announced in the offer has not been entirely subscribed, the constituent meeting may unanimously resolve that the corporation may be founded with the subscribed capital unless it is below the required minimum.

Content of the Bylaws

Article 172. The bylaws must include the following:

1. Trade name and head office;
2. Object of activities and time limit, if such has been set;
3. Amount of capital, type, and number of shares, and nominal value per share;
4. Company management;
5. Type and value of nonmonetary contributions, if such exist, the list of individuals who make them, and the number and nominal value of the shares that will be issued to them;
6. Options that said founders retain for themselves, listed by name, if such are stipulated;
7. The right of the founders to appoint the first supervisory council or board of directors of a company and to establish the nature of its mandate, if such is stipulated;
8. Other prerequisites related to the founding, functioning, and termination of a company.

Liability of Founders

Article 173. Founders are separately and jointly liable for the obligations they assume in connection with the founding of a company. After its founding, they have the right to compensation for the necessary and useful expenditures they have incurred.

Requirements for Registration of a Corporation

Article 174. (1) The following is required to register a corporation in the commercial register:

1. Adoption of the bylaws;
2. Subscription of the entire capital;
3. Deposit of 25 percent of the capital;
4. Election of a board of directors and a supervisory council;
5. Fulfillment of the other requirements of the law.

(2) The commercial register must include the data stipulated in Article 172, Items 1-4 and 8, and the registration must be made public.

Section III

Shares

Nominal Value of Shares; Denominations

Article 175. (1) A share is a security that certifies that its owner participates in the capital; the nominal value is indicated in the stock certificate.

(2) A corporation may not issue shares having different nominal values.

(3) Shares may be issued in denominations of one, five, and 10, and multiples of 10.

Emission Value

Article 176. (1) The emission value is the value at which a share is accepted by the founders and the subscribers in the accumulation of capital through the offer.

(2) The emission value may not be lower than the nominal value. Shares may have a value higher than the nominal.

(3) The difference between the nominal and the emission values is deposited into the "reserve" fund of the company.

Indivisibility

Article 177. Shares are indivisible. If a share is owned by several individuals, they exercise their rights on this share jointly, through a representative.

Types of Shares

Article 178. (1) Shares may be personal or payable to the bearer. Preferred shares may be issued as well.

(2) Shares payable to the bearer may not be delivered before their nominal or emission value has been paid.

(3) If personal shares are issued before the full emission value is paid, the amount of the partial payments must be noted on them.

Record of Stockholders

Article 179. The company will keep a record of stockholders, which will include the names and addresses of the owners of the personal shares, and note the type, nominal and emission value, amount, and number of the shares. This applies to temporary certificates as well.

Replacement of Shares

Article 180. Bearer shares may be changed to personal shares and vice versa by request of the stockholder after their value has been fully paid, unless otherwise stipulated in the bylaws.

Stockholders' Rights

Article 181. (1) One share gives the right to one vote at a general meeting of stockholders and the right to a dividend and to a liquidation share consistent with the nominal value of the share.

(2) If the company issues stock with special rights, this fact should be indicated and stipulated in the bylaws.

(3) Shares of equal rights form a separate class.

Preferred Stock

Article 182. (1) Preferred shares may ensure a guaranteed or additional dividend or share in the company's property in liquidation, as well as other rights stipulated in

this law. The bylaws may stipulate that the preferred shares do not have voting rights. This must be indicated on the shares.

(2) Preferred shares without voting rights are included in the nominal value of the capital.

(3) If a dividend accrued to a preferred stock without voting rights is not paid within one year and the delayed payment has not been made during the following year, in addition to the dividend for that same year, the preferred stock can gain voting rights until the delayed dividends have been paid. In that case, the preferred shares are added up to determine the necessary quorum and majority.

(4) In making decisions that limit the advantages proceeding from preferred nonvoting stock, the agreement of the holders of preferred stock, who must hold a separate meeting, is required. The meeting is considered held if no less than 50 percent of the preferred shares are represented. A decision is made by a majority of no less than three-quarters of the represented shares. The shares acquire voting rights with the loss of preferred status.

Content of a Share

Article 183. (1) The share contains:

1. The name "share" for a single or a corresponding number of "shares" for a denomination with several shares;

2. The type of share;

3. The numbering of the denomination and the consecutive numbering of the shares it includes;

4. The trade name and the head office of the corporation;

5. The capitalization;

6. The total number of shares, their separate nominal value, and their denomination structure;

7. The coupons and their due dates;

8. The signatures of two individuals entitled to commit the company and the date of emission.

(2) The name of the first owner is inscribed on the front side of a personal share.

Coupons

Article 184. (1) Unless otherwise stipulated in the bylaws, a share is issued with coupons for dividends for a 20-year period.

(2) Coupons may not be transferred separately from the shares.

(3) The coupon must have written in it the word "coupon," the trade name of the corporation, the numbering of the coupon, the share and the denomination and the year for which dividends on it are due.

Stock Transfers

Article 185. (1) Ownership of stock paid to the bearer is gained with its delivery.

(2) The transfer of personal shares is done with an endorsement and must be entered in the book of the personal stock owners in order to be accepted by a company. The bylaws may stipulate other conditions for the transfer of personal stock.

Liability of the Transferor of Personal Stock

Article 186. The transferor of personal stock that has not been paid or from which accrue other obligations to the company is jointly liable with the purchaser. The liability of the transferor is lifted after two years from the day the transfer was recorded in the record of stockholders.

Transfer of Temporary Certificates

Article 187. (1) A temporary certificate may not be transferred prior to the founding of a company.

(2) A temporary certificate may be transferred in accordance with the procedure of Article 185, Paragraph 2.

Section IV

Payments

Payment Obligations

Article 188. (1) Stockholders must pay for the subscribed shares amounting to that part of the value of the shares that is stipulated in the bylaws.

(2) Partial payments may be made by individual stockholders in different ratios if so specifically stipulated in the bylaws.

Consequences of Delays in Payment

Article 189. (1) Stockholders who fail to make the stipulated payments on time will owe interest unless a penalty is stipulated in the bylaws. In the case of delays in noncash payments, compensation for actual damages may be sought.

(2) Stockholders who are in default and who fail to make the necessary payments after receiving a one-month prior notification will be considered expelled. The warning must be published in DURZHAVEN VESTNIK unless the transfer of the shares requires the agreement of the company.

(3) The expelled individual loses his shares and the payments he has made. The shares of those expelled are invalidated and destroyed. The company may offer to sell new shares to replace the invalidated ones. The payments made by the expelled individual are deposited into the reserve fund of the company.

Interest

Article 190. (1) The stockholders may not receive interest on the payments they have made other than in the cases stipulated in the bylaws.

(2) If the stockholders have made partial payments in different ratios, they owe interest on the difference if such is stipulated in the bylaws. The interest must be paid prior to the distribution of the profits.

(3) Benefits from payments made prior to the founding of the company are considered company profits unless otherwise stipulated in the bylaws.

Collateral

Article 191. The bylaws may stipulate that collateral must be offered for the amount owed by the stockholders.

Section V

Increasing Capitalization

Prerequisites

Article 192. (1) Capitalization may be increased by issuing new stock, increasing the nominal value of already issued stock, or converting bonds into stocks as per Article 215.

(2) The decision at a general stockholders meeting to increase capitalization may be passed by a two-thirds majority vote of stock submitted at the meeting. The bylaws may stipulate a higher majority as well as additional conditions.

(3) In the case of stocks of different types, the decision must be made by the owners of each type of stock at separate meetings.

(4) If the new stock is sold at a price higher than nominal, its minimal sale price must be included in a resolution made at a general meeting.

(5) Increasing capitalization is admissible only after the amount stipulated in the bylaws has been fully paid.

Increasing Capitalization With Nonmonetary Contributions

Article 193. If capitalization is increased with nonmonetary contributions, a decision made at a general meeting must indicate the type of contribution, the individual making it, and the nominal value of the stock offered against such contribution.

Stockholder Options

Article 194. (1) Any stockholder has the right to acquire part of the new stock consistent with his share in the capitalization prior to its increase. This right is annulled at the time stipulated at a general meeting but no sooner than one month after the decision to increase capitalization has been published in DURZHAVEN VESTNIK.

(2) The stockholders' right as per the preceding paragraph may be withdrawn by a decision made at a general meeting, passed by a three-quarters majority of represented shares.

Conditional Increase in Capitalization

Article 195. Capitalization may be increased provided that the stock is purchased by specific individuals at a specified price or in company bonds.

Increased Capitalization by the Supervisory Council (The Board of Directors)

Article 196. The bylaws may empower the supervisory council or the board of directors, within a period of five years from the founding of the company, to increase the capital to a certain nominal amount by issuing new stock. Such a decision may also be made with an amendment of the bylaws—at the latest, five years after the amendment has been recorded.

Increasing Capitalization With Company Funds

Article 197. (1) A general meeting may resolve to increase the capital by converting some of the profit into capital. This decision must be made within three months following the acceptance of the annual profit and loss statement for the past year, by a three-quarters majority of represented shares at the meeting.

(2) In recording the decision to increase capitalization, a financial statement must be submitted to the court, stipulating that the increase comes from the company's own funds.

(3) The new shares must be divided among the stockholders in accordance with their participation in the capital prior to its increase. Any decision passed at a general meeting that contradicts the preceding statement is invalid.

Receiving Stock

Article 198. (1) After recording the increased capitalization as per the preceding article, the administrative council or the board of directors must immediately ask the stockholders to take their shares.

(2) The new shares not received by the stockholders and made out to the bearer must be sold on the stock market after one year of publication in DURZHAVEN VESTNIK of the decision to increase capitalization. The stockholders lose their rights, and the funds obtained from the sale are deposited into the Reserve Fund.

Section VI**Reduction of Capitalization***Ordinary Reduction*

Article 199. (1) A reduction of capitalization may be achieved by a decision made at a general meeting.

(2) If several different kinds of stock have been issued, the decision by each kind of stockholder, made at separate meetings, is required for such a decrease.

(3) The decision must specify the purpose of the decrease and the means by which it will be achieved.

Means of Reduction

Article 200. Capitalization may be reduced as follows:

1. By lowering the nominal value of the stock;
2. By invalidation of shares.

Reduction of Capitalization by Invalidation of Shares

Article 201. (1) Shares may be invalidated by order or after their acquisition by the company.

(2) A mandatory invalidation of shares is allowed if so stipulated in the bylaws.

(3) The prerequisites and means for the ordered invalidation must be stipulated in the bylaws.

Protection of Creditors

Article 202. (1) Creditors whose claims were generated prior to a reduction announcement have the right to demand compensation within a six-month period.

(2) Payments to stockholders in connection with a reduction of capitalization may be made after the time limit stipulated in the preceding paragraph has elapsed, and after the creditors have either been secured or paid.

Article 203. The rules of the preceding article apply to securing or paying stockholders.

Section VII**Bonds***Procedure for Issuing Bonds*

Article 204. (1) Bonds may not be issued by a corporation until two years after its founding and two annual profit and loss statements, accepted at a general meeting, have been presented. The amount of the bond loan may not exceed 50 percent of the paid capital.

(2) The requirements of Paragraph 1 do not apply to bonds guaranteed by the state or by banks.

(3) The decision to float bonds must be made only at a general meeting of stockholders.

(4) Bonds of one emission and of the same nominal value guarantee identical holding rights.

Requirements and Procedure for a Subscription

Article 205. (1) A subscription to a public offer of company bonds must include the following:

1. Trade name, head office, and object of activities of the company;
2. Amount of capital, paid part of the capitalization, and number and nominal value of a share;
3. Amount of the bond loan;
4. Existing bond loans and conditions attached thereto;
5. Conditions for the conversion of bonds into shares, if so stipulated;
6. Type, number, and denominations of bonds;
7. Interest and procedure for redemption of bonds;

8. Final deadline of the offer;
9. Place and method of payment.

(2) The opening of a subscription must be published in DURZHAVEN VESTNIK.

(3) Bond purchasers must be informed of the decision made at a general meeting announcing the offer and the company's annual profit and loss statements for the past two years.

Ending a Subscription

Article 206. (1) A bank or a specialized company must be in charge of collecting funds and issuing bonds.

(2) Individuals who have purchased bonds must deposit the amounts due in the bank stipulated by the company and to a special account. The funds on this account may not be used prior to the announcement that the subscription has ended.

(3) The subscription will end after the desired amount of the bond loan has been met or after the deadline for the subscription has expired.

(4) A general stockholders meeting will set the conditions that must be met for the loan to be considered made; in the case of a surplus or a shortage of the amount initially proclaimed, the supervisory council or the board of directors must announce the end of the subscription.

(5) If the subscription ends without the conditions stipulated for the loan having been met, the thus-collected funds must be returned to the purchasers along with the interest computed by the bank in which they were deposited.

Conditions for Issuing Preferred Bonds

Article 207. A company may not issue new preferred bonds without the agreement of bondholders at a general meeting.

Article 208. Within one month after the end of the subscription, the management of the corporation must summon the bondholders to a general meeting. The invitation to attend the meeting must be made public. The meeting will be considered held if one-tenth of the subscribed loan is represented.

Representation of Bondholders

Article 209. (1) The holders of bonds of a given emission will form a group to protect their interests in the company.

(2) The group will be represented by representatives elected at the general meeting of bondholders. There may be no more than three representatives.

Restrictions on Representation

Article 210. (1) Regarding the preceding article, the following may not act as representatives:

1. A debtor company;

2. Companies that own more than one-tenth of the company's capital or in which the company owns more than one-tenth of the capital;

3. Companies that have entirely or partially guaranteed the assumed obligations;

4. Members of the supervisory council, the administrative council, or the board of directors of the company, or their relatives or spouses;

5. Individuals who are prohibited by law from participating in the management of the company.

(2) The representatives may be released from their obligations by decision of the general meeting of bondholders.

Representatives' Rights

Article 211. Representatives may act in ways that will protect the interest of the bondholders in accordance with the resolutions of the general bondholders meeting.

Participation of Representatives at a General Meeting of Stockholders

Article 212. (1) Representatives of bondholders may participate at a general stockholders meeting without voting rights. They may request information under the same conditions as the stockholders.

(2) If decisions are being made pertaining to the implementation of obligations related to the bond loan, the views of the representatives of the bondholders will be heard at a general stockholders meeting.

Remuneration of Representatives

Article 213. (1) The remuneration of representatives by the bondholders is determined by the company and is at its expense. Should the company fail to set the amount of the remuneration, the latter will be set by the bondholders at their general meeting.

(2) Should the company object to that amount, the amount will be set by the okrug court at the request of the representatives.

General Meeting of Bondholders

Article 214. (1) A general meeting of bondholders is convened by their representatives.

(2) A general meeting may also be convened at the request of the bondholders representing no less than 10 percent of the value of the bonds, or the liquidators of the company should liquidation procedures have been initiated.

(3) The representatives of bondholders must convene a general bondholders meeting and inform the management of the corporation of the following:

1. Proposals for changing the object of activities and type of company, or for the reorganization of the company;
2. New emission of preferred bonds.

- (4) The holders of each new emission of bonds must hold a separate general meeting.
- (5) The rules of the general meeting of stockholders apply to the general meeting of bondholders.
- (6) A general meeting of stockholders must review a decision passed at a general meeting of bondholders.

Section VIII

Converting Bonds Into Stocks

Decision To Convert Bonds Into Stocks

Article 215. (1) A decision to issue bonds that may be converted into stocks can be made at a general meeting. This type of bond may not be issued by companies in which the state owns more than 50 percent of the capitalization. The stockholders have the option to subscribe to such bonds on a preferred basis under the same conditions as the exercise of their options for new emissions of shares.

(2) The procedure for the conversion of bonds into shares is described in the decision made at the general meeting to issue bonds.

(3) When the conversion of bonds into shares has not already been stipulated, the general stockholders meeting may stipulate the conditions under which the owners of bonds may convert them into shares of stock.

(4) The emission value of the converted bonds may not be lower than the nominal value of the shares the bondholders would acquire in exchange.

(5) In cases of lowering capitalization because of losses or in a reduction in the number of shares or their nominal value, the rights of bondholders to convert bonds into shares are reduced.

Prerequisites for a Valid Decision To Issue New Bonds

Article 216. A decision to issue new bonds that can be converted into shares becomes valid only if it is approved at a general meeting of bondholders who have the right to convert their bonds into shares.

Conversion With an Increase in Capitalization

Article 217. Subsequent to the decision to increase capitalization, the administrative council or the board of directors will determine the length of time during which bonds can be converted into shares. This period may not exceed three months.

Registration of Amended Capitalization

Article 218. The administrative council or the board of directors will register the changes in capitalization resulting from the conversion of bonds into shares.

Section IX

Managing Authorities of a Corporation

Types of Management Bodies

Article 219. The managing authorities of a corporation are the following:

1. The general stockholders meeting;
2. The board of directors (one-tier system), or the supervisory council and the administrative council (the two-tier system).

Subsection I

A General Stockholders Meeting

Composition of a General Meeting

Article 220. (1) A general meeting will consist of the holders of voting shares. They participate in the general meeting personally or by proxy.

(2) The members of the board of directors and the supervisory and the administrative council will participate in the work of the general meeting without voting rights, unless they are stockholders.

Authorization

Article 221. A general meeting is authorized:

1. To amend and supplement a company's bylaws;
2. To increase or reduce capitalization;
3. To convert or terminate the company;
4. To appoint and dismiss the members of the board of directors and the supervisory council, and to determine their remunerations;
5. To appoint and dismiss CPA's;
6. To approve the annual profit and loss statement following CPA certification;
7. To decide on the issuing of bonds;
8. To appoint liquidators for terminating a company, other than in cases of bankruptcy;
9. To relieve the members of the supervisory council, the administrative council, and the board of directors of their responsibility.
10. To resolve other problems set within its jurisdiction by the law and the bylaws.

Holding a General Meeting

Article 222. (1) A general meeting must be held at least once every year. The first general meeting may be held at any time during the first 18 months after the founding of a company.

(2) A chairman and a secretary for the meeting are elected at the general meeting unless otherwise stipulated in the bylaws.

Convening

Article 223. (1) A general meeting is convened by the board of directors or the administrative council. It may also be convened by the supervisory council or at the request of stockholders representing at least one-tenth of the capitalization.

(2) If within a period of one month the request of the stockholders holding at least one-tenth of the capital is not honored, the okrug court will call a general meeting or will authorize the stockholders who have requested the meeting or their representative to convene the meeting.

(3) The meeting is convened with an invitation published in DURZHAVEN VESTNIK. The listed stockholders are issued a written invitation as well.

(4) The invitation must include at least the following data:

1. The trade name and head office of the company;
 2. The place, date, and hour of the meeting;
 3. The type of general meeting;
 4. A report on the formalities, should they be stipulated in the bylaws, that must be observed for participation in the meeting and for exercising the right to vote;
 5. The agenda of items to be discussed, as well as motions.
- (5) The time of publication and the issuance of invitations may not be less than 30 days prior to the beginning of a general meeting.

Right to Information

Article 224. Written data related to the agenda of a general meeting must be put at the disposal of the stockholders at least by the date of publication or the issuance of invitations on convening a general meeting. On request, they must be submitted to every stockholder free of charge.

Roll

Article 225. A list of present stockholders or their proxies and the number of shares they own or represent must be drawn up for the session of a general meeting. The stockholders and their representatives will certify their presence with their signatures. The list must be certified by the chairman and the secretary of the general meeting.

Proxies

Article 226. Every stockholder has the right to appoint, in writing, an individual authorized to represent him at the general meeting.

Quorum

Article 227. The bylaws may stipulate the need for a quorum of the capital. Lacking a quorum, a new meeting must be set within one month, at which point the meeting becomes legally independent of the represented capital. The date of the new meeting may be indicated in the invitation to the first meeting, as well.

Voting

Article 228. (1) The right to vote is acquired after the contribution has been paid unless otherwise stipulated in the bylaws.

(2) If the proposed motion affects the rights of the holders of the same type stock, the voting is done separately for each type.

Conflict of Interest

Article 229. A stockholder or his proxy may not participate in voting on:

1. The presentation of claims against him;
2. The launching of actions obliging him to fulfill his responsibilities to the company.

Majority

Article 230. (1) At a general meeting, decisions are passed by the majority of represented shares unless the law or the bylaws stipulate otherwise.

(2) Decisions as per Article 221, Items 1-3 require a two-thirds majority of the represented capital. In such cases, the bylaws may stipulate a different majority.

Decisions

Article 231. (1) At a general meeting, decisions may not be made that pertain to matters that have not been announced or published in accordance with the stipulations of Article 223, unless all stockholders are present or are represented at the meeting and no one has objected to the discussion of such matters.

(2) The decisions passed at the general meeting become effective immediately unless their enactment is postponed.

(3) Decisions concerning amendments and supplements to the bylaws, increasing or reducing capitalization, converting or terminating the company, electing or dismissing members of the councils, and the appointment of liquidators must be recorded in the commercial register and enacted after their registration has been made public.

Minutes

Article 232. (1) Minutes are kept on the sessions of the general meeting in a special book that must indicate:

1. The place and time of the meeting;
2. The names of the chairman and the secretary, as well as the vote counters;
3. The attendance of the management and the supervisory council and of individuals who are not stockholders;
4. The proposed motions;
5. The votes and the results of votes;
6. Voiced objections.

(2) The minutes of the general meeting must be signed by the chairman and the secretary of the meeting and by the vote counters.

(3) The following must be appended to the minutes:

1. The list of those present;

2. The documents related to the convening of the general meeting.

(4) The minutes and the documents appended to them must be kept for at least five years. They must be made available to any stockholder on demand.

Subsection II

General Rules for Both Management Systems

Mandate

Article 233. (1) The members of the board of directors and the supervisory and administrative councils are elected for terms of five years unless shorter terms are stipulated in the bylaws.

(2) The members of the first board of directors or supervisory council must be appointed for terms not to exceed three years.

(3) The members of these management bodies may be reelected without term limitations.

Membership of the Management Bodies

Article 234. (1) Any legally capable physical person may be a member of a management body. If accepted by the bylaws, a juridical person, as well, may be a member. In that case, the juridical person will appoint a representative who will carry out his obligations in that body. The juridical person is jointly and unrestrictedly liable along with the remaining members of the body for the obligations proceeding from the actions of its representative.

(2) The following may not be members of management bodies:

1. Individuals who have been members of an executive or controlling body, or associates with unlimited liability, in a company terminated as a result of bankruptcy, without satisfying the claims of the creditors;

2. The spouse or relative to the third straight or collateral line, including ties by marriage to another member of the supervisory council;

3. Individuals who fail to meet the other requirements stipulated in the bylaws.

Representative Authority

Article 235. (1) The members of the board of directors or the administrative council represent the company collectively unless otherwise stipulated in the bylaws.

(2) Either the board of directors or the administrative council, with the approval of the supervisory council, may assign one or several individuals from among them to represent the company. Such power of representation may be withdrawn at any time.

(3) The names of the individuals authorized to represent the company must be recorded in the commercial register and published. They must submit their notarized signatures with the registration.

(4) Limitations concerning the representative authority of the thus-authorized individuals as per the preceding paragraphs are invalid in relation to third parties acting in good faith.

(5) The granting of the right of representation and its withdrawal are effective regarding third parties acting in good faith after they have been registered and made public.

Special Requirements on the Validity of Certain Decisions

Article 236. (1) The administrative council may make decisions subsequent to the preliminary agreement of the supervisory council or the board of directors, unanimously, on the following matters:

1. Closing down or transferring an enterprise or a substantial part of one;

2. Making a major change in the activities of the company;

3. Making substantial organizational changes;

4. Committing the company to long-term cooperation of essential importance to the company or terminating such cooperation;

5. Opening a branch.

(2) Objections to the effect that such actions have been committed in violation of the preceding paragraph may not be used as an argument against third parties acting in good faith.

Rights and Obligations

Article 237. (1) The members of the management bodies enjoy the same rights and obligations regardless of:

1. The internal assignment of functions among the members of the bodies;

2. The stipulations that grant administrative rights to executive members.

(2) The members of the bodies must carry out their obligations in the interest of the company and not reveal the company's secrets even after they are no longer members of the respective bodies.

Quorum and Majority

Article 238. (1) The management bodies may make decisions in the presence of no fewer than one-half of their members personally or by authorization given to another member of the body. No present member may represent more than one absent member.

(2) Decisions are made by simple majority unless otherwise stipulated in the bylaws.

(3) The bylaws may stipulate that the body may also make decisions in the absence of a member, should all members declare in writing their agreement with the decision.

Minutes

Article 239. Minutes must be kept on the decisions made by the administrative council, the supervisory council, and the board of directors, signed by all present members of the respective body.

Liability

Article 240. (1) The members of the supervisory and administrative councils and of the board of directors must provide a bond relative to their management, in an amount established at the general meeting but no less than their three-month gross remuneration. The bond may consist of deposited company shares or bonds.

(2) The members of the management bodies are jointly responsible for damages they maliciously cause the company.

(3) Any member of the respective body may be excused from liability if it is determined that he was not involved in causing the damage.

Subsection III

Two-Tier System

Administrative Council

Article 241. (1) The corporation is managed and represented by the administrative council, which conducts its activities under the supervision of the supervisory council.

(2) The members of the administrative council are appointed by the supervisory council, which determines their remuneration and may replace them at any time.

(3) The same individual may not be both a member of the administrative council and the supervisory council of a company.

(4) The number of members of the administrative council is stipulated in the bylaws but may not exceed nine.

(5) The rules governing the work of the administrative council must be approved by the supervisory council.

The Supervisory Council

Article 242. (1) The supervisory council may not participate in the management of the company. It represents the company only in its relations with the administrative council.

(2) The members of the supervisory council are elected at a general meeting. Their numbers may be between three and seven.

(3) The supervisory council adopts the rules for its work and elects its chairman and deputy chairman from among its members.

(4) The chairman calls the meetings of the supervisory council on his own initiative as well as at the request of the members of the council or the members of the administrative council.

Information and Supervision

Article 243. (1) The administrative council reports on its activities to the supervisory council of the company no less frequently than once every three months.

(2) The administrative council must immediately inform the chairman of the supervisory council of any event of essential importance to the company.

(3) The supervisory council has the right at all times to request the administrative council to provide information or a report on any matter pertaining to the company.

(4) The supervisory council may undertake the necessary studies in performing its obligations. It may use experts to this effect.

Subsection IV

One-Tier System

Board of Directors

Article 244. (1) A company is administered and represented by a board of directors. The board consists of at least three but no more than nine members.

(2) The board of directors adopts the rules governing its work and elects a chairman and a deputy chairman from among its members.

(3) The board of directors must hold regular meetings at least once every three months to discuss the status and development of the company.

(4) The board of directors assigns the administration of the company to one or several of its members—the executive members. The number of executive members must be fewer than the remaining members of the board, and these members may be replaced at any time.

(5) Each executive member reports immediately to the chairman of the board about any event that may have occurred that is of essential importance to the company.

(6) Any member of the board may ask the chairman to convene a meeting to discuss individual matters.

Section X

Annual Balance Sheet and Distribution of Profits

Annual Balance Sheet and Annual Report

Article 245. By the end of the month of February of each year, the board of directors or the administrative council must draw up an annual profit and loss statement for the past calendar year and a report on activities and submit them to the CPA's appointed at a general meeting.

Reserve Fund

Article 246. (1) A company must have a reserve fund.

(2) The sources of the reserve fund are the following:

1. No less than one-tenth of the profit, which is set aside until its amount reaches one-tenth or more of the statutory capital;

2. Funds obtained over and above the nominal value of the shares and bonds when issued;

3. The amount of additional payments made by the stockholders for the exercise of their options;

4. Other sources stipulated in the bylaws or by a decision made at a general meeting.

(3) The assets of the reserve fund may be used exclusively for the following:

1. To cover the annual loss;

2. To cover losses incurred during the preceding year.

(4) Should the assets of the reserve fund exceed one-tenth or more of the stipulated statutory capital, the increased amount may be used to increase the capitalization.

Content of Report on Activities

Article 247. The report on activities must describe the development of activities and the status of the company and interpret the annual profit and loss statement.

Section XI

Audit of the Annual Balance

Subject and Scope of an Audit

Article 248. (1) The annual profit and loss statement must be audited by the CPA's appointed at a general meeting.

(2) The purpose of the audit is to determine whether the stipulations of the Law on Accounting and the bylaws on the annual balance have been observed.

The Appointing of CPA's and Their Responsibilities

Article 249. (1) If the general assembly has not appointed CPA's before the end of the calendar year, or if they have not been requested by the board of directors, the administrative or supervisory council, or an individual stockholder, they must be appointed by the court.

(2) The CPA's are responsible for making conscientious and impartial audits and maintaining secrecy.

CPA Reports

Article 250. After the CPA's have submitted an audit, the administrative council must submit to the supervisory council the annual profit and loss statement and a report on the activities and the audit by the CPA's. The administrative council must also submit the proposal on the distribution of the profits, to be submitted at a general meeting.

Acceptance of an Annual Balance Sheet

Article 251. (1) The supervisory council checks the annual profit and loss statement, the report on activities, and the proposal on the distribution of the profits and, following its approval, makes the decision to convene a regular general meeting.

(2) In the one-tier management system, the proposal of distribution of the profit is submitted by the board of directors that convenes the general meeting.

(3) The annual profit and loss statement may not be accepted by the general meeting without a CPA audit.

(4) The annual profit and loss statement adopted at a general meeting must be made public by the administrative council or the board of directors.

Section XII

Termination

Grounds for Termination

Article 252. A corporation is terminated in the following cases:

1. By a decision made at a general meeting;

2. At the end of the period for which it was founded. It may be decided at a general meeting to extend the period before it has elapsed;

3. If the company goes into bankruptcy;

4. By decision of the court where the company is registered, based on the claim filed by the prosecutor, should the company pursue objectives prohibited by the law;

5. If the capitalization drops below the legally required minimum for a period of one year. If within that time a resolution on termination has not been passed at a general meeting, the termination takes place in accordance with Item 4;

6. If the grounds for termination stipulated in the company's bylaw are present.

Chapter 15

Limited Shareholding Partnership [Komanditno Druzhestvo s Aktsii]

Definition

Article 253. (1) A limited shareholding partnership can be founded on the basis of a contract; shares are issued in exchange for the payments made by the associates with limited liability. The number of associates with limited liability may not be fewer than three.

(2) The stipulations of the corporation apply to the limited shareholding partnership, unless other stipulations have been included in this chapter.

(3) The trade name of the company must include the words "limited shareholding partnership" or the abbreviation "KDA."

Founders

Article 254. (1) A limited shareholding partnership may be founded by associates with unlimited liability. They have the right to choose stockholders from among the subscribers to the offer.

(2) The associates with unlimited liability draft the bylaws of the company and convene a constituent meeting.

Contributions

Article 255. (1) The amount of the contributions by the associates is stipulated in the bylaws.

(2) The contributions of associates with unlimited responsibility may not be less than one-tenth of the capital.

Company Management

Article 256. The type of management of the limited shareholding partnership is the same as the one stipulated in this law for the management of a corporation of the one-tier type.

A General Meeting

Article 257. (1) Voting rights at a general meeting are granted exclusively to associates with limited liability. Associates with unlimited liability, even if they own stock, may participate in an advisory capacity only.

(2) The authority of the general meeting is defined in the bylaws.

(3) The general assembly considers and resolves demands by associates with limited liability to investigate a company's activities.

Board of Directors

Article 258. The board of directors is made up of associates with unlimited liability.

Adoption and Amendment of Bylaws

Article 259. (1) Bylaws may be adopted and amended and a company terminated with the agreement of the unlimited liability associates.

(2) A company is not terminated upon the death or the established legal inability of an associate with limited liability unless otherwise stipulated in the bylaws.

Liquidation Share

Article 260. The liquidation share of any associate is based on his investments in the company.

Chapter 16

Reorganization of Commercial Companies

Section I

General Stipulations

Allowed Reorganization

Article 261. (1) Any commercial company may be reorganized, merge with another company, or participate in the founding of a new company through a merger.

(2) The reorganization as per Paragraph 1 is invalid if its purpose is to cause harm to third parties.

Reorganization Conditions

Article 262. (1) A company can be reorganized with the agreement of the associates or by a resolution passed at a general meeting. An agreement or a resolution must be recorded in the commercial register at the head office of the respective company. The declaration for registration must be made within two months of the time of the resolution.

(2) In the reorganization of a company, a registration request must be accompanied by the corresponding documents required for any newly organized or terminated company.

Compensation to Creditors

Article 263. (1) A merger decision must be made public. Within six months after its publication, the creditors of a company may demand the exercise of their rights or a guarantee in accordance with their rights. The property of a terminated company that has been transferred to a new company or to a company formed as a result of a merger must be managed separately until a six-month period has elapsed.

(2) Associates with unlimited liability of terminated companies remain liable to the creditors for the obligations assumed before the reorganization.

(3) The administrators of a newly created company are liable to creditors for the separate management of property as per Paragraph 1.

Section II

Special Provisions

Conditions for the Reorganization of a Corporation

Article 264. The decision to reorganize a corporation into a different type of company is valid if two years have elapsed since its founding and the profit and loss statements for that period of time have been accepted. Such a decision may be made with a two-thirds majority of the represented capital. In assessing the majority of the capital, the shares of the company as well as those without voting rights cannot be counted. The bylaws may stipulate a higher majority of capital or formulate other requirements.

Reorganization of a Corporation Into a Company With Limited Liability

Article 265. If a corporation is reorganized into a company with limited liability, the stockholders exchange their old shares for corresponding new shares.

Chapter 17

Liquidation

Initiation of Liquidation

Article 266. (1) Liquidation follows the termination of a commercial company.

(2) The liquidators are listed in the commercial register with samples of their signatures.

(3) The court in charge of the registration may, for important reasons, appoint or dismiss liquidators at the request of the prosecutor, the associates, or stockholders representing one-twentieth of the capital.

Invitation to Creditors

Article 267. When declaring the termination of a company, the liquidators must invite the creditors to submit claims for their dues. The invitation must be sent in writing to known creditors and made public.

Obligations of Liquidators

Article 268. (1) The liquidators must settle current transactions, collect amounts owed, convert the remaining property into cash, and satisfy the demands of creditors. They may conclude new transactions only if this is necessitated by the liquidation process.

(2) By agreement with the associates, the stockholders, and the creditors, the liquidators may transfer to their possession individual items from the liquidated property unless this harms the rights of the other associates and creditors.

Representation

Article 269. (1) The liquidators represent a company and have the rights and obligations of its executive authorities.

(2) The liquidators may represent a company only jointly. Claims against a company may be accepted by a single liquidator, as well.

Initial Financial and Profit and Loss Statements

Article 270. (1) The liquidators draw up a financial statement at the time of the termination of a company and an interpretation report. By the end of each year, they draw up a financial statement and submit a profit and loss statement and report on their activities to the management body.

(2) The management body must pass on the acceptance of the financial and profit and loss statements and relieve the liquidators of their responsibilities.

Distribution of Property

Article 271. The property that remains after meeting the claims of creditors is distributed among the associates and the stockholders.

Protection of Creditors

Article 272. (1) The property of a company is distributed only after one year has passed from the date of publication of the invitation to the creditors.

(2) If a creditor who has been informed has not filed his claim, the owed amount is deposited in the bank in his account.

(3) In the case of a disputed claim, the property may be distributed only after the creditor has been given a guarantee.

Conclusion of Liquidation

Article 273. (1) After all the obligations have been settled and the remainder of the property has been distributed, the liquidators request the deletion of the company.

(2) If it is subsequently determined that further liquidation actions are necessary, the court, at the request of the interested parties, may appoint the previous or other liquidators.

Extension of a Terminated Company

Article 274. (1) If a company was terminated as a result of the elapsed time or by a decision of the competent company authorities, the latter may decide to continue its activities unless the distribution of property has been started.

(2) The decision as per Paragraph 1 may be passed as follows:

1. In a corporation, by a majority of no less than three-fourths of the represented capital;
2. In other commercial companies, by unanimous decision.

(3) The liquidators announce the decision to extend the company for the purpose of its registration in the commercial register.

Chapter 18

Associations of Commercial Companies

Section I

Consortium [Konsortium]

Definition

Article 275. A consortium is a contractual association of merchants engaged in pursuing specific activities.

Applicable Stipulations

Article 276. The respective rules governing a civil company or a company in the form in which the consortium has been organized are applicable to the consortium.

Section II

Holding Company [Kholding]

Definition

Article 277. (1) A holding company is a corporation, a limited shareholding partnership, or a company with limited liability, the purpose of which, whatever its form, is to participate in other companies or in their management, with or without participating in their production or commercial activities.

(2) No less than 25 percent of the capital of a holding company may be paid directly to the subsidiary companies.

(3) A subsidiary company is a company in which the holding company owns or controls, directly or indirectly, no less than 25 percent of its stock or shares, or which

can appoint, directly or indirectly, more than one-half of the members of its administrative body.

Object of Activities

Article 278. (1) The object of activities of a holding company may be the following:

1. Acquisition, management, evaluation, and sale of participation in Bulgarian and foreign companies;
2. Acquisition, management, and sale of bonds;
3. Acquisition, evaluation, and sale of patents, and the granting of licenses for the use of patents to companies in which the holding company participates;
4. Finance companies in which the holding company participates.

(2) A holding company may not:

1. Participate in a company that is not a juridical person;
2. Acquire licenses that will not be used by the companies it controls;
3. Acquire real estate that is not needed for its management. The acquisition of shares of real estate companies is allowed.

Taxation of Holding Activities

Article 279. The Ministry of Finance determines the companies that may enjoy a special regime for taxation of holding activities.

Loans Made by a Holding Company

Article 280. (1) A holding company may make loans only to companies in which it directly participates or that it controls.

(2) The amount of the granted loans may not exceed the capital of the holding company by more than a factor of 10.

(3) The amount of deposits by subsidiary companies and enterprises to the holding company may not be three times higher than the amount of the capital.

Chapter 19

Applicable Law

Applicable Law for a Private Merchant

Article 281. The legal status of a private merchant is defined by the law of the country where he is registered.

Applicable Law for a Commercial Company

Article 282. (1) The founding, reorganization, or termination of a commercial company and the method of its representation and the rights and obligations of the associates are based on the law of the country where the company is registered.

(2) If a commercial company is registered in more than one country, it is the law of the country in which, according to the company's bylaws, its management is located that prevails.

(3) In terms of the branch of a commercial company, the law governing the registration of the branch applies.

Applicable Law for Commercial Representation

Article 283. The contract for commercial representation is settled by the law of the country in which the commercial representative exercises his activities, regardless of the place where the contract was concluded.

Chapter 20

Administrative-Penal Stipulations

Violations and Fines

Article 284. (1) An individual who is bound by this law but fails to request registration within the stipulated time or fails to submit the required papers or signatures will be fined 500 to 2,000 leva.

(2) If after paying the fine the required individual does not request registration or fails to submit the necessary papers or signatures within the time limit stipulated by the court, he will be fined as per Paragraph 1 until the necessary steps have been completed.

(3) A fine as per the preceding paragraphs may be levied also in the case of officials who, although obliged to do so:

1. Have not officially informed the respective okrug court about the occurrence of an event that must be registered;

2. Have failed to take the steps required for making an entry in the register.

(4) A fine is imposed by the okrug court. The court ruling may be appealed on a private basis.

Provisional and Concluding Stipulations

1. The present law becomes effective as of 1 July 1991 and cancels Chapters 1 and 2 and Article 65, Paragraph 4, of Ukase No. 56 On Economic Activities (published in DURZHAVEN VESTNIK No. 4, 1989; amended, No. 16, 1989; amended and supplemented, Nos. 38, 39, and 62, 1989; Nos. 21, 31, and 101, 1990; Nos. 15 and 23, 1991; corrected, No. 25, 1991).

2. State and municipal companies registered in accordance with Ukase No. 56 On Economic Activities continue their activities in accordance with the current stipulations until they have been converted into commercial companies as per Articles 61 and 62 of this law.

3. (1) The registration of the trade names of companies set up in accordance with Ukase No. 56 On Economic Activities will remain effective with the following changes made by law:

1. The sole-owner firm will be considered a private merchant. The name as per Article 59, if it is not included, must be added to the trade name;

2. Collective and associated firms of citizens will be considered partnerships. The requirements of Article 77 apply to the registered name;

3. A firm with limited liability will be considered a company with limited liability. The term "firm with limited liability" or "OOF" in its name will be replaced by "company with limited liability" or "OOD." The manager of the firm remains by law the manager of the company;

4. A corporate firm is considered a corporation. The words "corporate firm" or the abbreviation "AF" in the name will be replaced by the words "corporation" or the abbreviation "AD." The functions of the manager of the firm will be assumed by the administrative council of the company;

5. A firm with unlimited liability that has not issued shares will be considered a limited partnership. The words "firm with unlimited liability" or the abbreviation "NOF" in the description will be replaced by "limited partnership" or "KD";

6. A firm with unlimited liability that has issued shares will be considered a limited shareholding partnership.

The words "firm with unlimited liability" or the abbreviation "NOF" will be replaced by "limited shareholding partnership" or "KDA."

(2) The preceding paragraph will be applied in the case of foreign and joint firms operating in the country, established in accordance with Chapter 5 of Ukase No. 56 On Economic Activities.

4. (1) Individuals who carry out their activities on the basis of Resolution No. 35 of the Council of Ministers of 1987 (DURZHAVEN VESTNIK No. 48, 1987) and the regulations issued on the basis of this resolution, who are merchants in the sense of this law, must be registered within six months from the enactment of the law.

(2) The time limit as per Paragraph 1 will be considered observed if prior to its elapsing the proper requests have been filed.

5. (1) The stipulations in the constituent and company contracts and company bylaws, registered prior to the enactment of the law, which conflict with its mandatory stipulations, will be legally replaced by the corresponding stipulations of the present law.

(2) In the case of pending requests for registration, if necessary, the court will assign a time limit to the interested individuals to draw up the contracts or bylaws, consistent with the stipulations of this law.

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